

***Business Continuity Plan Template for
Introducing Brokers***

***[Firm Name]
Business Continuity Plan (BCP)***

This template is provided as an optional guide to small introducing firms to assist them in fulfilling their need to create and maintain business continuity plans (BCPs) pursuant to IDA By-law 17.19. The template recognizes that many small firms rely on carrying brokers and other major service providers for many of their mission critical functions. Nothing in this template creates any new requirements for carrying brokers or new requirements for BCPs.

Following this template does not guarantee compliance with or create any safe harbor with respect to IDA By-law 17.19. The obligation to develop a BCP is not a “one-size-fits-all” requirement, and you must tailor your plan to fit your particular firm’s situation. The language contained in this template is provided as a helpful starting point to walk you through developing your firm’s plan. It is highly unlikely that the language of this template standing alone will fully fit your firm’s business situation. In this regard, you must customize the language of this template to reflect your firm's activities and issues. If you have prepared a plan in a different format, you may wish to attach the appropriate sections of that plan to this template to confirm that you have addressed the individual elements.

Critical Elements

There are critical elements of a BCP. Each firm need only address the elements applicable to its business, but if you do not include a specified element in your firm’s plan, your plan must document why it is not included:

- (1) Mission critical systems;
- (2) Data back-up and recovery (hard copy and electronic);
- (3) Alternate physical location of employees;
- (4) Communication with customers, employees and regulators;
- (5) Financial and operational assessments;
- (6) Critical dependencies;
- (7) Regulatory reporting; and

(8) How the member will assure customers' prompt access to their funds and securities in the event that the member determines that it is unable to continue its business.

Keep in mind that the elements above are not exhaustive; you should address other key areas for your plan to be complete and thorough, based on your firm's business and operations.

EXAMPLES are provided to give you sample language that you can modify to create your firm's plan.

Material in italics provides instructions, the relevant rules, and other resources that you can use to develop your firm's plan.

General guidance and background: Please see IDA website at www.ida.ca for all documents relating to BCP requirement.

I. Governance and Funding

Member firm must designate a member of senior management (BCP officer) as being responsible for BCP. The BCP officer shall ensure that adequate resources are in place to fund necessary BCP initiatives. The entire senior management team of each Member firm shall be responsible for approving the initial and annually updated BCP.

Identify your firm's BCP Officer.

EXAMPLE: Our firm's BCP Officer is: [name, phone number, e-mail] - identify person's relationship to the firm if not a registered principal of the firm]. The name will be updated in the event of a material change.

II. Firm Policy

State your firm's objectives for business continuity in the face of both internal and external significant business disruptions (SBDs), including your firm's obligation to provide customer's access to their assets in the event of a significant business disruption. This policy should be given to all employees. State who has the authority to execute the plan, where the plan is stored, and how to access the plan.

EXAMPLE: Our firm's policy is to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their funds and securities.

A. Significant Business Disruptions (SBDs)

Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our building. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, or a wide-scale regional disruption. Our response to an external SBD relies more heavily on other organizations and systems, especially on the capabilities of our clearing firm.

B. Staff Awareness

We are ensuring that all personnel are continually aware of their responsibilities and know how to remain in contact and what to do in the event of a crisis. The BCP Officer *[Name, title]* has responsibility for the staff awareness plan

Our firm will maintain copies of our BCP plan and the annual reviews, and the changes that have been made to it for inspection. An electronic copy of our plan is located on *[server name]* in the *[file/folder name]*.

III. Business Description

State the types of business that your firm conducts.

EXAMPLE: Our firm conducts business in equity, fixed income, and derivative securities. Our firm is an introducing firm and does not perform any type of clearing function for itself or others. Furthermore, we do not hold customer funds or securities. We accept and enter orders. All transactions are sent to our carrying broker, who *[executes our orders,]* compares them, allocates them, clears and settles them. Our carrying broker also maintains our customers' accounts, can grant customers access to them, and delivers funds and securities. Our firm services only retail customers *[OR retail and institutional customers]*.

Our carrying broker is *[name, address, phone number, e-mail address, Web site]* and our contact person at that clearing firm is *[name, phone number, e-mail]*. Our carrying broker has also given us the following alternative contact in the event it cannot be reached:

[name, address, phone number, e-mail address, Web site]

IV. Office Locations

List the locations of all of your offices, registered and unregistered. State also which mission critical systems, as defined below, take place at each location.

EXAMPLE: Our Firm has offices located in Location #1 and Location #2.

A. Head Office Location #1

Our Location #1 Office is located at [address]. Its main telephone number is [insert]. We engage in order taking and entry at this location.

B. Branch/Office Location #2

Our Location #2 Office is located at [address]. Its main telephone number is [insert]. We engage in order taking and entry at this location.

V. Alternative Physical Location(s) of Employees

List the alternate physical location(s) your firm will use in the event an SBD affects the operation of your office locations.

EXAMPLE: In the event of an SBD, we will move our staff from affected offices to the closest of our unaffected office locations. If none of our other office locations is available to receive those staff, we will move them to [name of firm, (if different), address]. Its main telephone number is [insert].

VI. Customers' Access to Funds and Securities

State that your firm does not maintain custody of customers' funds or securities and how your firm will make them available to customers in the event of an SBD. State the entity at which such funds and securities are held, and how your firm will facilitate access to them. Describe any relationship between your firm's ability to grant customer access to funds and securities.

EXAMPLE: Our firm does not maintain custody of customers' funds or securities, which are maintained at our carrying broker, [insert name]. In the event of an internal or external SBD, if telephone service is available, our registered persons will take customer orders or instructions and contact our clearing firm on their behalf, and if our Web access is available, our firm will post on our Web site that customers may access their funds and securities by contacting [insert contact information]. The firm will make this information available to customers through its disclosure policy.

VII. Data Back-Up and Recovery (Hard Copy and Electronic)

Identify the location of your firm's primary books and records (hard copy and electronic) and the location of your firm's back-up books and records (hard copy and electronic). Describe how your firm backs up its data. In addition, describe how your firm will recover data in the event of an SBD.

EXAMPLE: Our firm maintains its primary hard copy books and records and its electronic records at [address]. [Name, title, phone number] is responsible for the maintenance of these books and records. Our firm maintains the following document types and forms that are not transmitted to our carrying broker: [List document types and forms, such as new account forms, etc.].

Our firm maintains its back-up hard copy books and records at [other address]. These records are [paper copies, microfilm, etc.] [Name, title, phone number] is responsible for the maintenance of these back-up books and records. Our firm backs up its paper records by copying and taking them to our back-up site. We back up our records every [time period].

The firm backs up its electronic records daily [or other time period] by [describe process], and keeps a copy at [other address; may be the same as hard copy back-up site].

In the event of an internal or external SBD that causes the loss of our paper records, we will physically recover them from our back-up site. If our primary site is inoperable, we will continue operations from our back-up site or an alternate location. For the loss of electronic records, we will either physically recover the storage media or electronically recover data from our back-up site, or, if our primary site is inoperable, continue operations from our back-up site or an alternate location.

VIII. Financial and Operational Assessments

Describe your firm's procedures to identify changes in its operational, financial, and credit risk exposures in the event of an SBD. Your firm should periodically assess the changes in these exposures, and quickly make such an assessment in connection with an SBD.

A. Operational Risk

Operational risk includes the firm's ability to maintain communications with customers and to retrieve key activity records through its mission critical systems.

EXAMPLE: In the event of an SBD, we will immediately identify what means will permit us to communicate with our customers, employees, critical business constituents, critical banks, critical counter-parties, and regulators. Although the effects of an SBD will determine the means of alternative communication, the communications options we will employ will include [our Web site, telephone voice mail, secure e-mail, etc.]. In addition, we will retrieve our key activity records as described in the section above, Data Back-Up and Recovery (Hard Copy and Electronic).

B. Financial and Credit Risk

Financial risk involves the firm's ability to fund operations and maintain adequate financing and sufficient capital. The firm also may face credit risk (where its investments may erode from the lack of liquidity in the broader market), which would also hinder the ability of the firm's counter-parties to fulfill their obligations.

EXAMPLE: In the event of an SBD, we will determine the value and liquidity of our investments and other assets to evaluate our ability to continue to fund our operations and remain in capital compliance. We will contact the IDA to apprise them of our financial status. If we determine that we may be unable to meet our obligations to our counter-parties or otherwise continue to fund our operations, we will request additional financing to fulfill our obligations to our customers and clients. If we cannot remedy a capital deficiency, we will file appropriate notices with the IDA and immediately take appropriate steps, including [*insert procedures*].

IX. Mission Critical Systems

Describe your firm's mission critical systems and whether your firm or your carrying broker has responsibility for them, and review your carrying broker's capabilities to perform their mission critical functions for your firm.

EXAMPLE: Our firm's "mission critical systems" are those that ensure prompt and accurate processing of securities transactions, including order taking, order entry, execution, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities. More specifically, these systems include: [*list systems names and their functions*].

We have primary responsibility for establishing and maintaining our business relationships with our customers and have sole responsibility for our mission critical functions of order taking [and] entry [and execution]. Our carrying broker provides the [execution,] allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities.

Our carrying broker represents that it backs up our records at a remote [or, *preferably*, out of region] site. Our carrying broker represents that it operates a back-up operating facility in a geographically separate area with the capability to conduct the same volume of business as its primary site. Our carrying broker has also confirmed the effectiveness of its back-up arrangements to recover from a wide scale disruption by testing [, and it has confirmed that it tests its back-up arrangements every *time period*].

Recovery-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that must be met in every emergency situation, and various external factors surrounding a disruption, such as time of day, scope of disruption, and status of critical infrastructure—particularly telecommunications—can affect actual recovery times. Recovery refers to the restoration of clearing and settlement activities after a wide-scale disruption; resumption refers to the capacity to accept and process new transactions and payments after a wide-scale disruption. Our clearing firm has the following SBD recovery time and resumption objectives: recovery time period of [e.g., within 4 hours]; and resumption time of [e.g., within the same business day].

A. Our Firm's Mission Critical Systems

1. Order Taking

Describe how your firm will handle order taking in the event of an SBD.

EXAMPLE: Currently, our firm receives orders from customers via [insert all that apply] telephone/fax/e-mail/our Web site at [insert URL]/in person visits by the customer. During an SBD, either internal or external, we will continue to take orders through any of these methods that are available and reliable, and in addition, as communications permit, we will inform our customers when communications become available to tell them what alternatives they have to send their orders to us. Customers will be informed of alternatives by [insert method]. If necessary, we will advise our customers to place orders directly with our carrying broker at [insert].

2. Order Entry

Describe your firm's procedures if an SBD prevents it from entering orders received from customers.

EXAMPLE: Currently, our firm enters orders by recording them on paper and electronically and sending them to our carrying broker electronically or telephonically. Alternatively, We place customer orders through [insert name of system]. We have contacted [name of system(s)] and were told that, under its BCP, we can expect [services] within [time].

In the event of an internal SBD, we will enter and send records to our carrying broker by the fastest alternative means available, which include [insert]. In the event of an external SBD, we will maintain the order in electronic or paper format, and deliver the order to the carrying broker by the fastest means available when it resumes operations. In addition, during an internal SBD, we may need to refer our customers to deal directly with our carrying broker for order entry.

3. Order Execution

If your firm executes orders, describe your procedures if an SBD prevents your firm from executing orders received from customers. If your firm does not execute orders, include

order execution in the list of mission critical systems that your carrying broker provides to your firm in the next section, Mission Critical Systems Provided by Our carrying broker.

EXAMPLE: We currently execute orders by [describe current execution procedures]. In the event of an internal SBD, we would [describe your execution procedures in the event of an internal SBD]. In the event of an external SBD, we would [describe your execution procedures in the event of an external SBD].

4. Other Services Currently Provided to Customers

EXAMPLE: In addition to those services listed above in this section we also [describe any other services you provide customers]. In the event of an internal SBD, we would [describe how you would provide those services in the event of an internal SBD]. In the event of an external SBD, we would [describe how you would provide those services in the event of an external SBD].

B. Mission Critical Systems Provided by Our Carrying Broker

Describe the arrangements you have with your carrying broker to provide other mission critical systems.

EXAMPLE: Our firm relies, by contract, on our carrying broker to provide [order execution], order comparison, order allocation, and the maintenance of customer accounts, delivery of funds and securities, and access to customer accounts.

X. Communication With Customers, Employees, and Regulators

A. Customers

Customers must be informed of contact name and number at the carrier, which customers can use with respect to their accounts should there be a disruption of service at the introducer.

Describe the alternate means of communications that your firm will use to communicate with its customers in the event of an SBD.

EXAMPLE: We now communicate with our customers using [insert all that apply] the telephone, e-mail, our Web site, fax, mail, and in person visits at our firm or at the other's location. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. For example, if we have communicated with a party by e-mail but the Internet is unavailable, we will call them on the telephone and follow up where a record is needed with paper copy in the mail.

We have informed our customers to contact (Name and phone number) our carrier in case of a significant business disruption at our firm and the possibility that customers were unable to reach us.

B. Employees

Describe the alternate means of communications that your firm will use to communicate with its employees in the event of an SBD.

EXAMPLE: We now communicate with our employees using *[insert all that apply]* the telephone, e-mail, and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. We will also employ a call tree so that senior management can reach all employees quickly during an SBD. The call tree includes all staff home and office phone numbers. We have identified persons, noted below, who live near each other and may reach each other in person:

The person to invoke use of the call tree is: *[insert name]*

Caller	Call Recipients
<i>[e.g., Person A</i>	<i>Person B, Person C, Person D</i>
<i>Person C</i>	<i>Person E, Person F, Person G.]</i>

C. Regulators

Describe the alternate means of communications that your firm will use to communicate with the IDA in the event of an SBD.

EXAMPLE: We are currently members of the following SROs: *[insert list]*. We communicate with our regulators using *[insert all that apply]* the telephone, e-mail, fax, mail, and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party.

XI. External Dependencies

Describe your firm’s procedures to identify changes in the impact an SBD will have on its relationship with its critical external dependencies such as service providers, banks, clearing corporations, and how it will deal with those impacts.

EXAMPLE: We have contacted our critical service providers (businesses with which we have an ongoing commercial relationship in support of our operating activities, such as vendors providing us critical services), and determined the extent to which we can continue our business relationship with them in light of the internal or external SBD. We will quickly establish alternative arrangements if a business constituent can no longer provide the needed goods or services when we need them because of a SBD to them or our firm. [*or we have entered into a supplemental contract with certain critical business constituents to provide such services. The alternative suppliers are disclosed below.*] Our major suppliers are: [*list service/product, supplier's name, address and phone number and any alternative supplier's name, address, and phone number.*]

EXAMPLE: We have contacted our banks and lenders to determine if they can continue to provide the financing that we will need in light of the internal or external SBD. The bank maintaining our operating account is: [*list bank name, address, phone number, and contact*]. The bank maintaining our Proprietary Account of Introducing Brokers/Dealers (PAIB account) is [*list bank name, address, phone number, and contact*]. If our banks and other lenders are unable to provide the financing, we will seek alternative financing immediately from [*bank/lender name, address, and phone numbers*].

EXAMPLE: We have contacted our critical counter-parties, such as other broker-dealers or institutional customers, to determine if we will be able to carry out our transactions with them in light of the internal or external SBD. Where the transactions cannot be completed, we will work with our carrying broker or contact those counter-parties directly to make alternative arrangements to complete those transactions as soon as possible.

XII. Regulatory Reporting

Describe how your firm will file its regulatory reports in the event of an SBD.

EXAMPLE: Our firm is subject to IDA regulation by. We now file reports with the IDA using internet/SIRFF, paper copies in the mail, and electronically using fax or e-mail. In the event of an SBD, we will check with the IDA and any other regulators to determine which means of filing are still available to us, and use the means closest in speed and form (written or oral) to our previous filing method. In the event that we cannot contact our regulators, we will continue to file required reports using the communication means available to us. [*Insert regulator contact information*].

XIII. Updates and Annual Review

Describe your firm's plan update policy and annual review of your BCP.

EXAMPLE: Our firm will update this plan whenever we have a material change to our operations, structure, business or location or to those of our carrying broker. In addition,

our firm will review this BCP annually, on [*date*], to modify it for any changes in our operations, structure, business, or location or those of our carrying broker.

XIV. Senior Management Approval

Approve the firm's BCP by signing below.

EXAMPLE: I have approved this Business Continuity Plan as reasonably designed to enable our firm to meet its obligations to customers in the event of an SBD.

Signed: _____

Title: _____

Date: _____